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7/28/08

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

JUL 28 2008

DOCKETED BY

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IN THE MATTER OF UNS ELECTRIC,
INC.'S VOLUNTARY TIME-OF-USE
TARIFFS

DOCKET NO. E-04204A-06-0783

DECISION NO. 70440ORDER

Open Meeting
July 17, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNSE") is a public service corporation certificated to provide electric service in the State of Arizona.

2. In Decision No. 70360, dated May 27, 2008, the Arizona Corporation Commission ("ACC" or "Commission") approved UNS Electric, Inc.'s ("UNSE" or "Company") requests for a rate increase and the related financing approval. The Commission ordered UNSE to file a voluntary Time-of-Use ("TOU") tariff as a compliance item in this docket, no later than 20 days from the date of the decision.

3. On May 21, 2008, in anticipation of Decision No. 70360, UNSE filed its proposed voluntary TOU tariffs with Docket Control.

4. On May 30, 2008, UNSE submitted revised rate schedules and the related proof of revenue.

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5. ACC Utilities Division Staff ("Staff") reviewed the May 21, 2008 tariff filing and the associated schedules, and submitted suggestions to UNSE. Based upon Staff's suggestions, UNSE resubmitted its proposed voluntary TOU tariffs on June 4, 2008.

6. On June 20, 2008, the Company filed a revised Residential Service Time-of-Use – Weekend Off-peak tariff, for residential customers only.

7. The Company's TOU tariff filings are consistent with the requirements of Decision No. 70360.

8. On July 2, 2008, Staff filed a memorandum and Recommended Order and Opinion ("ROO") recommending Commission approval of the Company's proposed Residential Service Time-of-Use – Weekends Off-Peak, Pricing Plan RES-01-TOU-A; Small General Service Time-of-Use, Pricing Plan SGS-10 TOU; Large Power Service Time-of-Use, Pricing Plan LPS-TOU; Large General Service Time-of-Use, Pricing Plan LGS-TOU-N; and Interruptible Power Service Time-of-Use, Pricing Plan IPS-TOU.

9. Subsequent to the July 2, 2008 filings, Staff found that for all proposed TOU tariffs, the Base Power Supply Charges for Summer Off-peak was higher than the corresponding Standard Offer tariffs. For example, for RES-01-TOU-A, the Base Power Supply Charge for summer off-peak of \$0.078853 kWh is higher than the Standard Offer rate for RES-01 of \$0.077993 kWh. Although TOU customers could save on energy costs during the winter months, Staff notes that such customers would incur higher bills than the corresponding Standard offer customers during the summer months.

10. UNSE asserts that its proposed TOU tariffs are revenue neutral, and could provide cost saving opportunities to customers who properly shift loads to off-peak hours during the winter months. Staff agrees with UNSE's assertion, but believes that it is necessary to provide TOU customers the opportunity to effectively manage their load in a manner that results in cost savings during the summer as well as winter months.

11. On July 8, 2008, the Company filed revised TOU tariffs that reflect Base Power Supply Charges that provide TOU customers the opportunity to save throughout the year. Staff has reviewed the revised TOU tariffs and concludes that they are in the public interest.

1 12. UNSE TOU tariff consists of five individual voluntary TOU tariffs, as follows: (1)
2 Residential Service Time-of-Use – Weekends Off-Peak, Pricing Plan RES-01-TOU-A; (2) Small
3 General Service Time-of-Use, Pricing Plan SGS-10 TOU; (3) Large Power Service Time-of-Use,
4 Pricing Plan LPS-TOU; (4) Large General Service Time-of-Use, Pricing Plan LGS-TOU-N; and
5 (5) Interruptible Power Service Time-of-Use, Pricing Plan IPS-TOU.

6 13. Each of the five tariffs is identical across billing cycles and across peak, shoulder,
7 and off-peak hours.

8 14. The TOU tariff consists of two separate billing cycles- Summer and Winter. The
9 Summer Billing Months are May through October and the Winter Billing Months are November
10 through April.

11 15. The Summer On-Peak period is 2:00 p.m. to 6:00 p.m., and the Summer Shoulder
12 periods are 12:00 p.m. (Noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m.

13 16. The Winter On-Peak periods are 6:00 a.m. to 10 a.m., and 5 p.m. to 9:00 p.m., with
14 no shoulder periods.

15 17. All other hours are Off-Peak.

16 18. For the residential customers only, the Company proposes off-peak Base Power
17 Supply Charges for all Weekends (Saturdays and Sundays) and the six major holidays (Memorial
18 Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and New Year Day). The
19 Company's proposal is comprised of different off-peak Base Power Supply Charges for the
20 Summer months and the Winter months.

21 19. For all proposed TOU tariffs, the Base Power Supply Charge will be subject to the
22 Purchased Power Fuel Adjuster Clause ("PPFAC").

23 20. Residential Service Time-of-Use – Weekends Off-Peak ("RES-01-TOU-A") is an
24 optional rate available to customers served under the Company's Pricing Plan RS, Residential
25 Service. This plan is restricted to service provided at one point of delivery, measured through a
26 single meter, and is restricted to private single dwellings or individually-metered apartments.

27 21. The bundled standard offer service rates for the proposed RES-01-TOU-A are as
28 follows: Customer Charge of \$7.50 per month; Energy Charges-Delivery Charge of \$0.011255 per

kWh for the first 400 kWhs, and \$0.021269 per kWh for all additional kWhs. The Base Power Supply Charges, on a per kWh basis, are depicted below:

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak ⁽¹⁾	\$0.072092	\$0.068588

22. The Small General Service Time-of-Use (“SGS-10 TOU”) is applicable to any customer, for any purpose, where service is provided at one point of delivery, is measured through one meter, and where the monthly usage is not more than 7,500 kWh in any two consecutive months.

23. Customers with usage over 7,500 kWhs for two or more consecutive months are precluded from this pricing plan and are required to receive service under the Large General Service pricing plan. However, service under SGS-10 TOU is available to customers who require a maximum monthly demand of less than 25kW either for customer-owned, -operated, and -maintained area, street, or stadium lighting, or for firm irrigation service.

24. The bundled standard offer service rates for the proposed SGS-10-TOU are as follows: Customer Charge of \$12.00 per month; Energy Charges-Delivery Charge of \$0.022449 per kWh for the first 400 kWhs, and \$0.032463 per kWh for all additional kWhs. The Base Power Supply Charges, on a per kWh basis, is depicted below:

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

25. Large Power Service Time-of-Use (“LPS-TOU”) is applicable to any customer, for any purpose, where the service is supplied at one point of delivery and is measured through one meter. LPS-TOU applies to customers whose maximum monthly demand is 500 kW or greater,

⁽¹⁾ For RES-01-TOU only, all weekends and major holidays are Off-peak and subject to Off-peak Base Power Supply Charges.

1 but for customers whose maximum monthly demand is 10,000 kW or more, the customer must
2 enter into a service agreement with UNSE which spells out the conditions of service.

3 26. The bundled standard offer service rates for the proposed LPS-TOU are as follows:
4 Customer Charge is \$365 per month for less than 69 kV Distribution Service and \$400.00 per
5 month for Transmission Service equal to or greater than 69kV. The Demand Charge is \$17.895
6 per kW for Distribution Service of less than 69 kV and \$11.610 per kW for Transmission Service
7 equal or greater than 69 kV. The Base Power Supply Charges, on a per kWh basis, are depicted
8 below:

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.077240	\$0.077240
Shoulder-Peak	\$0.053260	N/A
Off-Peak	\$0.047240	\$0.041233

13 27. The Large General Service Time-of-Use (“LGS-TOU-N”) is applicable to standard
14 offer sales to any customer, for any purpose, where such service is supplied at one point of
15 delivery, measured through one meter, where the maximum monthly demand is less than 1,000
16 kW.

17 28. The bundled standard offer service rates for the proposed LGS-TOU-N are as
18 follows: Customer Charge is \$15.50 per month. The Demand Charge for LGS-TOU-N is \$10.71
19 per kW, and the Energy Charge-Delivery is \$.003254 per kWh. The Base Power Supply Charges,
20 on a per kWh basis, are depicted below:

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

25 29. The Interruptible Power Supply Time-of –Use (“IPS-TOU”) tariff is applicable to
26 any customer with a minimum demand of 50kW, for any purpose, where such service is supplied
27 at one point of delivery, measured through one meter, and is interruptible within fifteen (15)
28 ...

minutes of verbal notice by UNSE. The customer must be able to interrupt service for up to eight (8) hours per day.

30. The bundled standard offer service rates for the proposed IPS-TOU are as follows: Customer Charge is \$15.50 per month and the Demand Charge is \$3.40 per kW. The Energy Charge-Delivery is \$.014800 per kWh. The Base Power Supply Charges, on a per kWh basis, are depicted below:

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.079833	\$0.079833
Shoulder-Peak	\$0.055491	N/A
Off-Peak	\$0.049833	\$0.042267

31. Staff believes that the Company's proposed optional TOU rates will provide its rate-payers the opportunity to better manage energy consumption in a manner that could result in cost-savings, and alleviate demand pressures on the operations of UNSE.

32. Staff believes that the proposed TOU periods for the summer months and the winter months are reasonable.

33. Staff concluded that the proposed voluntary TOU tariff is in the public interest.

34. Staff recommended Commission approval of UNSE proposed TOU tariff as filed by the Company on July 8, 2008.

35. Staff recommended that UNSE provide its customers with educational/marketing materials on the benefits of TOU. The materials should explain clearly how TOU rate tariffs work and who might benefit most from being on a TOU rate tariff.

36. Staff further recommended that UNSE file with Docket Control, as a compliance item in this docket, an annual report showing how many customers are taking service under these tariffs, how much those customers have saved relative to its non-time-of-use rates for the same class of service, and how these tariffs have provided a benefit to UNSE. The reports should be filed annually, on February 15, and should contain TOU results for the previous calendar year.

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CONCLUSIONS OF LAW

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2 1. UNSE is an Arizona public service corporation within the meaning of Article XV,
3 Section 2, of the Arizona Constitution

4 2. The Commission has jurisdiction over the Applicant and the subject matter of the
5 application.

6 3. The Commission finds that Staff's recommendations in Finding of Fact Nos. 34, 35,
7 and 36 are reasonable, are in the public interest, and should be adopted.

ORDER

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9 THEREFORE, IT IS ORDERED that Schedules RES-01 TOU-A, SGS-10 TOU, LPS-
10 TOU, LGS-TOU-N and IPS-TOU are hereby approved as discussed herein.

11 IT IS FURTHER ORDERED that UNS Electric, Inc. provide educational marketing
12 materials regarding the benefits of TOU to its customers consistent with Finding of Fact No. 35
13 above.

14 IT IS FURTHER ORDERED that UNS Electric, Inc., consistent with Finding of Fact No.
15 36 above, report annually on the effectiveness of the TOU tariffs.

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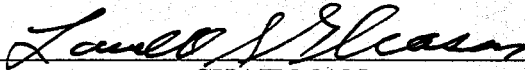
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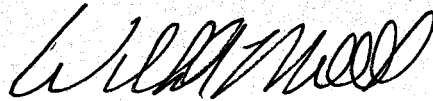
IT IS FURTHER ORDERED that UNS Electric, Inc. file revised rate schedules consistent with the terms of this Decision within 30 days from the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

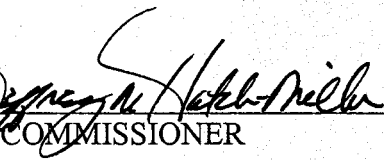
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



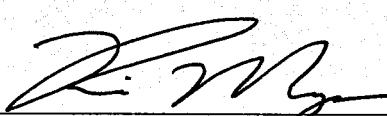
CHAIRMAN



COMMISSIONER



COMMISSIONER

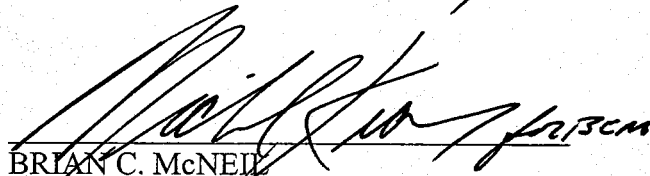


COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 28TH day of JULY, 2008.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EGJ:All:lhmkOT

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